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SUPPLY AND DEMAND FOR FERTILIZERS, FARM MACHINERY, AND PESTICIDES

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Mr. ELLENDER, from the Committee on Agriculture and Forestry, submitted the following

REPORT

The Committee on Agriculture and Forestry makes the following report on the supply and demand for fertilizers, farm machinery, and pesticides.

In response to reports that American agriculture is threatened with serious shortages in future supplies of fertilizers, farm machinery, and pesticides needed to meet our food production goals, your committee conducted hearings on those subjects September 20, 21, 24, 25, 26, 27, and 28. Officials of the Department of Agriculture, the Defense Production Administration, the National Production Authority, and the Department of the Army presented basic information on both short- and long-range requirements and on the production outlook to meet those requirements. Representative manufacturers of fertilizers and farm machinery, including both large and small farm-machinery manufacturers, informed the committee of their current problems in obtaining sufficient scarce materials to reach the production goals set by the Department of Agriculture. Other industry spokesmen and representatives of national farm organizations also appeared before the committee to make reports and submit recommendations.

THE CURRENT SITUATION

Farmers in 1951 are producing a near-record volume of crops and livestock products, approximately 30 percent more than in 1941. They are doing this with the same acreage of land in crops as 30 years ago and with 1½ million fewer workers than 5 years ago.

In order to achieve this large volume of production on a stabilized land base and with fewer workers, American farms in 1951 used more than twice the tonnage of commercial fertilizers as was used 10 years earlier. In fact, fertilizer use in 1951 was approximately 25 percent higher than in 1950. The increase in equipment on farms is fully as

great. Farmers in 1951 used 2½ times as much equipment to produce their crops and livestock as compared with 10 years earlier. They also used three times as many pesticides as a decade earlier.

Although the 30 percent higher production obtained this year (1951) as compared with 10 years earlier was in part the result of widespread use of improved seed stocks and soil-conservation practices, further increases in the output of food and fiber will require further increases in these industrial supplies, fertilizers, farm equipment, and pesticides. The need for further increases in food production is highlighted by the reduction in inventories of both foods and livestock feeds which took place in 1951, in spite of the current high level of production.

It is estimated that 25 percent of the present volume of food and fiber production is attributable to the current use of commercial fertilizers. Farm machinery and equipment both replace farm labor which has shifted to defense jobs and contributes directly to increased output through more timely seedbed preparation and harvesting operations. Although no reliable quantitative estimates are available, it is recognized that the timely use of appropriate pesticides and weed killers have increased farm output substantially in recent years. Increased output in the future will be almost in direct proportion to the increased use of fertilizers, farm machinery, and pesticides in farm production.

FERTILIZER REQUIREMENTS AND SUPPLIES

Although farmers used approximately 25 percent more commercial fertilizers in 1951 than in 1950, they would have used even larger quantities had they been available. While the demand for fertilizers will be even greater in 1952, there is little prospect of meeting it in full. The amount of nitrogen available is expected to exceed the 1951 level by only a small amount; superphosphate production is expected to be smaller because of the shortage of sulfur, and only in the case of potash do we expect an increase in supplies of as much as 10 percent. If present trends continue, farmers will be far short of the fertilizer they would like to use in attempting to meet their production goals in 1952.

Nitrogen production is now limited by existing plant capacity. A reduction in production is threatened as a result of the reactivating of some war-plant facilities which are currently being leased for commercial nitrogen production.

In order that nitrogen production be maintained at as high a level as possible with existing facilities and that it be expanded as quickly as possible, two types of action are necessary. First, every effort must be made to maintain the nitrogen production in leased war-plant facilities until these facilities are actually needed for defense purposes. Under Secretary of the Army Archibald S. Alexander appeared before the committee and promised to do everything possible to achieve this goal, especially in their plans for reactivating the war plant at Charlestown, Ind.

The second type of action required is the allocation of steel and other scarce metals necessary to begin the construction of additional nitrogen production plants. Certificates of necessity have been issued for the construction of new nitrogen plants with a total capacity of more than 600,000 tons a year. Applications for permission to build

units to produce another 200,000 tons are in hand, making a total of 800,000 tons of planned expansion. Allowing 150,000 tons of this capacity for industrial uses, 650,000 tons would be left for agriculture, which would meet approximately the increasing needs of American farmers. However, this expansion of nitrogen production must be realized in the next 2 or 3 years in order to keep abreast of increased demand.

Thus far none of the necessary materials for this nitrogen expansion program have been allocated by the Defense Production Administration. Secretary Brannan has released a small part of the steel available to the Department of Agriculture to permit this nitrogen expansion program to get started. The committee regards this nitrogen expansion program as urgent and requests the allocating authorities to make available in each quarter of 1952 sufficient quantities of the scarce materials to permit an orderly building of these plant facilities.

The committee views with concern the impact of the shortage of sulfur on the production of superphosphate. It urges the allocating authorities to undertake more exhaustive studies of the possibilities of increased production in foreign countries, thereby lessening the need for a continuation of our present large volume of exports. To the extent that scarce materials are needed to increase the production of sulfur, sulfuric acid or similar products, the committee urges that they be given a high priority because of the vital role phosphate fertilizers play in increasing the production of our grasses, legumes, and other important farm crops.

FARM MACHINERY REQUIREMENTS AND SUPPLIES

Evidence presented by a number of witnesses indicates that inventories of farm machinery in dealers' hands, contrary to some recent news stories, are not excessive. They are lower than at this time last year and will decline rapidly in the months ahead unless the allotments of steel for agricultural machinery and implements for the first quarter of 1952 are increased above the allotments for the fourth quarter of 1951.

A comprehensive survey of farm equipment needs, just completed by the county committees of the Production and Marketing Administration, indicates that farmers will need a volume of new farm machinery equal to 115 percent of the amount purchased in 1949 and a volume of repair parts equal to 120 percent of 1949 in order to meet their production goals in 1952.

It is estimated that 688,000 tons of carbon steel per quarter are required to produce this volume of farm machinery and repair parts. In contrast to this need only 560,000 tons of carbon steel were allocated for agricultural machinery and implements in the fourth quarter of 1951.

Estimates of the amount of steel used by the manufacturers of farm machinery and equipment in 1949 were presented by members of the industry, by representatives of the Department of Agriculture, and by representatives of the Defense Production Administration. Investigation of the bases used for the various estimates indicates that most of the difference in the estimates results from the inclusion or exclusion of several different types of steel and the steel used in B

products, those parts purchased in fabricated form from other industries.

It appears that the farm-machinery industry used approximately 600,000 tons of carbon steel per quarter in 1949 and that the allocations of 560,000 tons to the industry in the fourth quarter of 1951 is only 93 percent of 1949 usage. Agriculture's current request for 688,000 tons of carbon steel in the first quarter of 1952, if granted, would give the industry the 15 percent additional carbon steel indicated as needed by recent surveys.

The committee is aware of the over-all shortage of steel but does not believe that the needs for agriculture have been given as high a rating as they merit. The committee holds firmly to the view that the production and processing of food is equally as important as the production of munitions. It believes that the material requirements for this essential industry should be given an even higher rating as compared with consumers' durable goods including automobiles and housing than was given in the allocations for the fourth quarter of 1951.

Special attention is directed to the problems of the smaller manufacturers. Several witnesses representing the smaller manufacturers of farm machinery and equipment appeared before the committee. They reported that in addition to receiving allocations for only 70 to 80 percent of the amount of steel they had been using earlier in the year, they have found it impossible to place orders for more than 40 to 60 percent of their allocations.

While it is impossible for these manufacturers to place orders at steel mills for more than a fraction of their allocations, brokers offer them steel almost daily at two to three times the mill prices. On the bases of these reports, there appears to be either a substantial black market in steel, or considerable price gouging. The committee urges the allocating authorities to increase their efforts directed toward the elimination of any illegal practices in the steel industry.

The Defense Production Administrator reported that a special unit was being set up to assist the smaller manufacturers in placing orders for the steel allocated to them. The committee believes that this will help correct one of the most serious problems now confronting the smaller manufacturers of farm machinery and equipment.

Witnesses representing the food-processing-equipment manufacturers appeared before the committee and reported that controlled materials allocated for food-processing equipment are only about half of the amounts used during a similar period in the 3 years 1948, 1949, and 1950. Approximately one-third of the materials in this field go into repair parts, and more than half are used to build equipment for replacement use. If, as now appears probable, allocations are reduced further in the first and second quarters of 1952, the food-processing-equipment industry will be most seriously affected.

Much of this equipment is made on a semicustom basis. There are no inventories of finished machines on which to draw. It is vital that our food-processing industries have sufficient equipment to process the increased quantities of food which are being produced in this defense period. Again this may require further reductions in the materials used by the less-essential civilian industries.

PESTICIDE REQUIREMENTS AND SUPPLIES

The producers of the major pesticides and technical committees in each of the States made independent estimates of the requirements for pesticides in 1951. The estimates of these two groups were surprisingly similar, resulting in a firm basis for stating agriculture's requirements for pesticides.

These requirements were accepted by the NPA Chemicals Division and the principle was developed that sufficient pesticides should be produced so that no farmer would suffer loss or damage to his crop by reason of a shortage of pesticides.

The NPA assisted where necessary in making available raw materials in short supply and the industry did a remarkable job of producing 50 percent more of the major preferred pesticides in 1951 than were produced in 1950. As a result, adequate supplies of pesticides were available throughout the season except for isolated cases where distribution difficulties occurred. The high level of production in 1951 permitted the industry to end the season with adequate inventories of most pesticides at all distributive levels.

Shortages for 1952 are expected in lead arsenate, copper compounds, liquid grain fumigants, sulfur, sodium chlorate, and steel containers. The two most critical shortages are lead for making lead arsenate and steel for the containers.

The committee endorses the principle that sufficient pesticides should be produced and distributed so that no farmer will suffer loss or damage to his crop by reason of a shortage of pesticides. It requests the allocating authorities to give first priority to the requirements for raw materials, especially lead and steel, to permit the pesticide industry to produce and distribute the volume of product estimated as needed by the technical requirements committees of the Department of Agriculture and the NPA Chemicals Division.

RECOMMENDATIONS

1. Requirements for steel and other scarce materials needed for the production and processing of food and fiber should be given priority second only to the more urgent parts of the military program.

2. Every effort should be made to continue utilizing war plants for the production of nitrogen fertilizers until they actually are needed for munitions production.

3. Allocations of materials for expansion and construction of new fertilizer plants should be given top priority.

4. In the allocation of our limited sulfur supplies, the essentiality of agriculture's requirements should be given an even higher rating than in the past, and increased production of sulfur should be encouraged both in the United States and abroad.

5. In view of our need for increased food and fiber goals for 1952 and the shift of farm labor to defense jobs, sufficient steel and other scarce materials should be alloacted for farm machinery and implements to permit higher levels of production than in 1949.

6. Adequate provision is not being made for processing increased quantities of food and fiber. Allocations of steel and other scarce materials for the manufacture of food-processing equipment appear to

be smaller in relation to earlier use history than for many less essential consumer durable goods. Materials required for food-processing equipment should be given a higher priority.

7. The smaller manufacturers of farm machinery need special assistance in placing orders for their allocations and should be helped as needed.

8. Expected shortages of lead arsenate, copper compounds, liquid grain fumigants, sulfur, sodium chlorate, and steel containers for pesticides should be alleviated.

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